A 7000 - 1

OUTLOOK

FOR THE ECONOMY AND REAL ESTATE

By DR. JACK CARLSON
Executive Vice President & Chief Economist
NATIONAL ASSOCIATION OF REALTORS®
777 14th Street, N.W.
Washington, D.C. 20005

JULY 1985

The Outlook for the Economy and Real Estate

Aggregate Economy

A growth recession occurs when growth in real output remains near 2 percent or less leading to a rise in the unemployment rate. Evidence of a possible growth recession currently evolving has been an increase in real output of only 2.2 percent over the past 12 months compared to 7.3 percent growth over the previous 12 months. Underscoring this slowing trend has been continued weakening in spending and production over recent months.

This trend towards more sluggish growth will likely continue despite the unexpectedly strong GNP "flash" estimate of 3.1 percent for the second quarter. There is a strong likelihood that the 2nd quarter flash will be revised down once more complete information from mid-May to June is included. Furthermore, most of the growth in real output during the second quarter is a result of the windfall gains in income that occurred in response to the long overdue tax refunds. Once the stimulative effects from these refunds wear off in the third quarter, slower economic activity should dominate through 1985 with real output growth remaining near 2 percent for the rest of the year.

Historically, a growth recession has lasted on average five quarters and in five out of six times resulted in a recession. However, the distinctive feature of declining interest rates in our current slowdown will likely stimulate a rebound in the interest sensitive sectors of the economy by 1986, thus preventing a recession from occurring. In the absence of a further decline in the dollar, the economy's responsiveness to reduced interest rates will largely be exported abroad. A further contraction in domestic manufacturing activity is likely to occur, keeping domestic output from reaching its full potential.

The most hard-hit sector of the economy has been manufacturing. The loss of competiveness of domestic producers has dampened manufacturing growth to a 2 percent rate over the last four quarters, compared to a 12.3 percent rate reached during the previous four. No relief is in sight as the barometers of future manufacturing activity--manufacturing employment as well as industrial production--have not risen since last summer.

Employment and Inflation

The outlook for employment has become increasingly worrisome. As slow economic activity continues, average hours worked has begun to falter. Subsequently, an eventual stagnation and possible decline in overall employment growth through 1985 is expected. Employment growth in manufacturing has already shown signs of weakening as the cumulative loss in manufacturing employment has totaled 163,000 jobs or 0.8 percent since January. In response to the slowing in overall employment growth, the civilian unemployment rate has remained virtually unchanged at 7.2 percent over the past 4 months and is expected to increase through 1985 and 1986.

One of the few bright spots in the economy has been the continued low rate of inflation. The Consumer Price Index (CPI) increased a modest 0.2 percent in May resulting in an increase of only 3.7 percent over the past 12 months. Some components within the CPI have experienced larger increases than others over the past 12 months. For instance, price increases for services have been running ahead of that for goods for some time now. Underlying the increasing costs of services is the continued increase in medical care and transportation services. While overall inflation is expected to remain below 4 percent through 1986, service price inflation is expected to accelerate more as wage costs accelerate and gas and electricity prices pick-up.

Monetary Policy and Interest Rates

Recently, the behavior of the money supply has been distorted due to the technical factor of delayed tax refunds. In April, the delay in refunds resulted in a most unusual decline in M2 bringing it well within the Federal Reserves (FED) target. Once the bulk of refunds were finally mailed out in May, M2 rose accordingly.

Although the money supply as measured by M1 (currency in circulation and checkable deposits) will likely be above its target, the FED will not be as quick to correct for this overrun as it has done in the past. Instead, given the mounting evidence of a significant slowing in the economy, the FED is more concerned about diverting a recession and will therefore continue to ease credit conditions as indicators of slower growth persist. The likely result is a continued downward trend in both short and long term interest rates through the remainder of 1985. However, as credit demands heat up in response to lower rates by mid-1986, short-term rates should start to trend upward. Long-term rates, on the other hand, should continue to trend downward through 1986 as confidence about stable prices in the future dominates.

Fiscal Policy

Federal deficits, despite efforts to trim them, will still top $200 billion next year because of the continued slowing in economic activity. Almost half of the deficit savings proposed for next year has been eroded by the pessimistic outlook for the economy's performance. The continued reliance on the assumption of 4 percent real growth for the economy will distort the budget estimates presently under discussion by the House and Senate conferees leading to an unexpected increase in the federal deficit next year. Further, a consensus opinion is emerging that tax reform legislation proposed by the Administration would add to the enormous federal deficits. At this juncture, radical tax reform is not likely in 1985 or 1986.

Real Estate Markets

Activity in the housing market remains at healthy levels as mortgage interest rates have hit five-year lows. The seasonally adjusted annual rate of existing single family home sales remained above the 3 million unit level

in May for the third consecutive month and was 1.3 percent above the May 1984 pace. Resales are expected to improve further throughout the year with 3.1 million existing homes expected to be sold in 1985. This would be the best resale volume since 1979 when 3.8 million units were sold. Resales should remain strong through 1986.

The continued volatility in total housing starts is largely due to huge swings in multi-family starts while single family starts remain at healthy levels. The declines in total starts in May can largely be attributed to the softening condominium market and apartment sector in many cities. Sales of condominiums are falling because the condominium market has in many cases filled its niche in the housing market. First time homebuyers who could not afford to purchase a single family home, already have purchased a condominium and are now moving up to a detached home. In addition, with interest rates lower than they were earlier in the decade, many first time buyers are able to move directly into single family homes rather than begin with a condominium.

Over the past month, mortgage rates have continued to fall. At the end of May the commitment rate for 30-year fixed rate mortgages published by the Federal Home Loan Mortgage Corporation fell to 12.7 percent. The decline in mortgage rates has stimulated a move back to fixed rate mortgages as homebuyers tend to prefer the certainty of a fixed rate. Consequently, the share of variable rate contracts has fallen.

Nonresidential construction has exhibited strong growth over the last few years, especially in retail, office and non-manufacturing warehouse construction. From this point of time the outlook remains mixed. Retail is expected to fare favorably over the next few years as the current high level in housing starts accompanied by increases in purchasing power continues to stimulate demand for retail space. In fact, retail construction is still in short supply, and has yet to approach peaks reached during the previous business cycles.

The outlook for office construction is not as favorable as both demand and supply conditions are adversely affecting future construction. The ability to finance a project has become increasingly important because most projects are very large. The recent declines in corporate profits accompanied by an increase in the debt service burden of non-financial corporations; and the availability of existing capacity will dampen the ability and interest of businesses to finance office construction; leading to an overall decline in this area over the next few years.

Table 1

JULY 1985

U.S. ECONOMIC OUTLOOK

	QUARTERS								YEARS				
	Actual	Forecast							Actual		Forecast		
	85:1	85:2	85:3	85:4	86:1	86:2	86:3	86:4	1983	1984	1985	1986	1987
AGGREGATE ECONOMY													
Gross National Product ($ billions)	3,811	3,865	3,908	3,955	3,996	4,043	4,097	4,166	3,305	3,663	3,864	4,075	4,388
Percent Change	5.6	5.8	4.6	4.8	4.3	4.7	5.4	6.9	7.7	10.8	5.1	4.9	7.7
Percent Change (without inflation)	0.3	3.1	2.2	1.7	1.0	1.3	1.7	2.8	3.7	6.8	2.5	1.7	3.4
Consumption	5.2	5.0	2.7	0.7	1.7	1.4	1.8	2.1	4.8	5.3	3.9	1.8	2.9
Durables	9.2	6.6	5.1	-2.4	-0.9	-0.2	0.5	2.6	12.1	13.1	6.8	0.5	3.4
Nondurables	3.7	6.8	1.6	0.9	1.6	1.1	1.3	1.1	3.7	4.6	2.8	1.6	2.1
Services	5.0	3.0	2.8	1.7	2.6	2.3	2.7	2.8	3.4	3.2	3.6	2.4	3.3
Residential Investment	5.5	3.8	22.5	11.3	4.5	-2.3	-0.1	1.3	41.7	12.2	3.8	5.6	-0.3
Nonresidential Investment	1.5	9.8	3.1	-0.3	2.0	1.7	6.5	6.4	2.5	19.8	6.2	2.8	6.7
Structures	9.5	8.7	-0.7	-2.0	-1.8	1.9	7.0	5.6	-7.8	15.6	8.3	1.1	7.0
Equipment	-5.6	10.3	4.6	-0.4	3.6	1.6	6.3	6.8	7.3	21.5	5.3	3.5	6.6
Exports	-8.9	-6.5	3.3	6.8	9.3	8.8	9.1	9.2	-5.6	4.7	-1.9	7.3	9.0
Imports	32.2	2.4	9.0	7.2	2.5	0.1	0.1	1.3	7.6	27.0	9.0	3.3	3.3
Government Purchases	0.3	1.9	4.2	0.5	0.4	0.1	0.4	0.5	-0.3	3.5	3.8	0.9	0.8
Consumption (% of GNP)	65.5	65.8	65.8	65.7	65.8	65.8	65.8	65.7	65.8	64.8	65.7	65.8	65.4
Residential Investment (% of GNP)	3.6	3.6	3.8	3.9	3.9	3.9	3.8	3.8	3.5	3.7	3.7	3.9	3.7
Nonresidential Investment (% of GNP)	12.8	13.0	13.0	13.0	13.0	13.0	13.1	13.3	11.1	12.5	12.9	13.1	13.5
Structures (% of GNP)	3.7	3.7	3.7	3.6	3.6	3.6	3.7	3.7	3.2	3.5	3.7	3.6	3.8
Equipment (% of GNP)	9.1	9.3	9.4	9.3	9.4	9.4	9.5	9.6	7.9	9.0	9.3	9.5	9.7
Inventory Change ($ billions)	40.7	36.6	28.0	37.4	25.4	19.6	6.7	4.0	-13.5	58.2	35.7	13.9	16.7
Mfg. Capacity Utilization Rate (%)	81	80	80	80	79	79	79	79	75	82	80	79	81
Auto Sales (millions of units)	10.8	11.2	11.0	10.8	10.7	10.5	10.4	10.5	9.2	10.4	11.0	10.5	10.8
Domestic (% of total)	78.0	76.1	71.7	71.3	72.4	71.2	67.5	65.8	74.0	76.5	74.3	69.2	66.0
Imported (% of total)	22.0	23.9	28.3	28.7	27.6	28.8	32.5	34.2	26.0	23.5	25.7	30.8	34.0
Manufacturing Industrial Production (% change)	0.9	0.5	1.8	0.9	2.1	1.6	1.9	4.2	7.8	11.2	1.6	1.8	5.2
Common Market	3.4	3.5	3.3	2.1	2.1	2.1	1.2	2.4	0.9	3.2	3.0	2.2	1.2
Japan	0.4	5.7	6.9	5.8	11.7	5.6	4.2	2.9	3.5	11.0	5.8	6.9	1.6
Trade Deficit	120	130	139	143	142	141	139	137	41	102	133	140	138
Value of the U.S. Dollar (Weighted by Trade)	1,350	1,312	1,278	1,246	1,215	1,193	1,175	1,155	1,142	1,224	1,297	1,185	1,110
Percent Change	22.5	-10.7	-9.9	-9.7	-9.8	-6.9	-5.9	-6.5	4.0	7.2	6.0	-8.6	-6.3
Employment(millions)(civilian:household basis)	106.7	107.1	107.5	107.9	108.1	108.3	108.5	108.7	100.8	105.0	107.3	108.4	110.2
Percent Change	3.0	1.2	1.6	1.4	0.8	0.8	0.6	0.7	1.3	4.1	2.2	1.0	1.7
Unemployment Rate (%) (civilian)	7.3	7.3	7.4	7.4	7.6	7.7	7.9	8.0	9.6	7.5	7.4	7.8	7.9
Personal Income per Household (average)<1>	40,078	40,475	40,897	41,323	41,817	42,255	42,814	43,414	35,416	38,527	40,693	42,575	45,343
Percent Change - Year Ago (w/o inflation)	3.5	2.4	2.0	1.5	1.1	0.9	0.8	0.9	1.5	5.4	2.3	0.9	2.2
Personal Taxes per Household (average)	7,740	7,208	7,596	7,820	7,913	8,009	8,119	8,262	6,478	6,956	7,591	8,076	8,660
Percent Change - Year Ago (w/o inflation)	10.6	0.9	4.7	5.6	-0.5	7.9	3.4	2.0	-3.0	3.5	5.4	3.1	3.0
Percent of Personal Income	20.2	18.6	19.4	19.8	19.8	19.8	19.9	19.9	19.1	18.8	19.5	19.9	20.0
Disposable Income per Household (average)	32,338	33,267	33,302	33,503	33,903	34,246	34,696	35,152	28,938	31,571	33,102	34,499	36,682
Percent Change - Year Ago (w/o inflation)	2.0	2.9	1.6	0.8	1.7	0.4	0.4	0.9	2.5	5.7	1.8	0.6	2.0
Household Debt (% of total)	23.1	23.2	23.7	24.0	24.2	24.2	24.2	24.1	19.7	21.2	23.5	24.2	23.6
Household Interest Payments (% of total)	10.3	10.4	10.9	10.9	10.8	10.8	10.7	10.2	9.7	10.4	10.6	10.6	9.9
Consumer Price Inflation (CPI)	3.3	3.8	3.2	3.3	3.5	3.5	3.7	4.3	3.2	4.3	3.5	3.5	4.2
Gross National Product Inflation (GNP Deflator)	5.4	2.6	2.3	3.1	3.3	3.4	3.7	4.0	3.8	3.8	3.5	3.2	4.1
Personal Consumption Inflation	3.3	2.7	2.7	3.2	3.7	3.9	4.2	4.2	3.7	3.2	3.0	3.6	4.2
Residential Construction Inflation	0.6	2.8	3.1	3.1	4.7	4.8	4.8	4.7	1.7	3.9	2.4	4.1	4.9
Nonresidential Construction Inflation	3.4	1.8	2.6	2.8	3.8	3.9	3.9	4.2	-1.0	0.3	2.2	3.4	4.4
Producers Price Inflation (WPI)	-2.1	0.4	0.8	2.2	1.8	2.0	2.7	3.4	1.3	2.4	-0.1	1.9	3.5
Compensation per Manhour (% change)	5.5	3.6	2.9	3.8	5.3	4.5	4.9	5.9	4.8	4.2	4.0	4.4	5.4
Productivity (% change)	2.6	1.9	1.0	0.8	0.5	0.9	0.9	1.5	3.4	2.7	0.5	0.9	1.9
Unit Labor Cost (% change)	8.2	1.6	1.9	3.0	4.7	3.6	4.0	3.8	1.3	1.4	3.5	3.5	3.4
Before Tax Corporate Profits ($ billions)<2>	229	224	221	218	222	224	224	232	213	243	223	225	267
Corporate Tax Liability	92	86	84	82	84	84	83	87	86	98	88	85	106
After Tax Profits	137	138	138	137	138	139	141	145	127	146	137	140	160
Inventory Valuation Adjustment	-1	-3	-6	-11	-12	-13	-16	-18	-11	-6	-5	-15	-22
Capital Consumption Adjustment	69	74	80	87	87	85	84	85	33	56	78	85	81
Profits from Current Production (with IVA, CCA)	207	210	211	212	212	211	209	211	149	196	210	211	220
Adjusted for Inflation (84:3 base)	203	204	205	204	203	199	196	196	156	197	204	198	199
Percent Change - Year Ago	7.9	3.7	2.5	0.7	-0.2	-2.5	-4.4	-4.0	46.0	26.5	3.6	-2.8	0.2
Per Unit of Output (% of GNP)	5.4	5.4	5.4	5.4	5.3	5.2	5.1	5.1	4.5	5.3	5.4	5.2	5.0
Effective Corporate Tax Rate (%)<2>	30	28	27	27	27	28	28	28	34	32	28	28	32
Federal Tax Receipts (Unified basis)	696	808	738	682	669	913	753	718	613	683	731	763	833
Percent of GNP	18.3	20.9	18.9	17.3	16.7	22.6	18.4	17.2	18.6	18.7	18.8	18.7	19.0
Federal Expenditures (Unified basis)	919	934	949	948	963	987	976	993	803	868	938	975	1,035
Percent of GNP	24.1	24.2	24.3	24.0	24.1	23.9	23.8	23.8	24.3	23.7	24.1	23.9	23.6
Surplus or Deficit (Unified basis)	-223	-126	-211	-266	-295	-53	-224	-275	-190	-184	-206	-212	-202
% of GNP	5.8	3.3	5.4	6.7	7.4	1.3	5.5	6.6	5.8	5.0	5.3	5.2	4.6
% of Personal Savings	187.8	83.7	168.5	216.6	231.8	41.7	169.1	204.5	158.1	117.2	164.1	161.8	134.9
% of Net Domestic Savings	75.5	38.2	69.5	90.3	100.2	18.4	76.9	93.8	80.0	58.5	68.4	72.3	63.2

<1> Includes personal contributions for social insurance.
<2> Adjusted to include impact of windfall profits tax on domestic crude oil production.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Dr. Richard Peach, and Janemarie Mulvey.

Table 2

JULY 1985

REAL ESTATE AND FINANCIAL MARKETS

	QUARTERS								YEARS				
	Actual	Forecast							Actual		Forecast		
	85:1	85:2	85:3	85:4	86:1	86:2	86:3	86:4	1983	1984	1985	1986	1987
REAL ESTATE MARKETS													
Total Single-Family Home Sales (thousands)	4,057	4,122	4,270	4,312	4,264	4,276	4,277	4,275	3,750	3,936	4,190	4,273	4,140
(single-family resales and completions)													
Percent Change -- Year Ago	-1.9	1.6	14.7	12.7	5.1	3.7	0.1	-0.9	42.4	5.0	6.5	2.0	-3.1
Existing Single-Family Home Sales (thousands)	2,970	3,055	3,080	3,095	3,099	3,110	3,115	3,120	2,716	2,866	3,050	3,111	3,020
Percent Change - Year Ago	1.9	2.8	11.5	10.0	4.4	1.8	1.1	0.8	36.5	5.5	6.4	2.0	-2.9
Dollar Volume (billions)	261.3	271.8	273.9	268.8	274.7	281.1	282.7	277.2	224.2	247.1	268.9	278.9	280.1
Existing Home Prices - Median ($1000's)	73.8	75.4	76.0	74.6	76.6	78.4	78.9	77.5	69.8	72.3	75.0	77.8	81.2
Percent Change - Year Ago	3.6	3.7	3.8	3.7	3.7	3.9	3.9	3.8	3.2	3.5	3.7	3.8	4.3
Monthly Mortgage Payment (P&I, 80%, 30 yr.)	657	649	630	605	611	616	611	600	628	680	635	609	648
Percent of Median Family Income	30	29	28	27	27	27	26	25	32	32	28	26	26
Private Housing Starts (thousands)	1,795	1,791	1,939	1,977	1,891	1,901	1,904	1,904	1,703	1,766	1,875	1,900	1,850
Percent Change - Year Ago	-7.8	-3.6	16.6	23.7	5.4	6.2	-1.8	-3.7	61.0	3.8	6.2	1.3	-2.6
Single-Family	1,121	1,100	1,227	1,254	1,201	1,202	1,197	1,191	1,066	1,103	1,176	1,198	1,155
Percent of Total	62.5	61.5	63.3	63.5	63.5	63.2	62.9	62.5	62.6	62.4	62.7	63.0	62.4
Multi-Family	674	690	713	722	691	699	707	713	637	664	700	702	695
Percent of Total	37.5	38.5	36.7	36.5	36.5	36.8	37.1	37.5	37.4	37.6	37.3	37.0	37.6
Mobile Home Shipments	277	288	299	302	300	302	305	304	296	295	292	303	300
New Single-Family Home Sales (thousands)	662	630	642	659	665	675	680	650	627	637	649	667	620
Percent Change - Year Ago	-4.0	-0.4	4.6	6.8	0.5	7.2	6.0	-1.4	49.9	-1.5	1.8	2.8	-7.1
New Home Prices - Median ($1000's)	83.2	84.2	85.0	85.9	87.4	88.9	90.4	91.7	75.5	80.0	84.6	89.6	94.8
Percent Change - Year Ago	6.8	4.6	4.5	7.0	5.0	5.6	6.4	6.7	8.9	6.0	5.7	5.9	5.8
New Home Prices--Mean ($1000's, Quality Adjusted)	96.2	95.2	96.6	97.2	99.5	98.9	100.8	101.8	89.7	93.7	96.3	100.2	105.2
Percent Change - Year Ago	5.7	1.9	1.6	2.1	3.4	3.9	4.4	4.8	2.1	4.5	2.8	4.1	4.9
NAR Affordability Index	88.4	90.2	93.5	96.6	96.1	95.4	96.5	99.2	82.0	86.2	92.2	96.8	98.0
Mortgage Debt Outstanding ($ billions)	2,257	2,613	2,912	3,166	3,382	3,574	3,747	3,906	1,755	1,957	2,737	3,652	4,254
Homeowners' Equity ($ billions)	2,253	2,262	2,270	2,279	2,301	2,323	2,346	2,369	2,242	2,278	2,266	2,335	2,435
Housing Inventory (millions)	95.3	95.7	96.1	96.6	97.0	97.5	97.9	98.3	92.7	94.4	95.9	97.7	99.4
Rental Vacancy Rate (%)	6.3	6.0	5.9	5.8	5.8	5.8	5.9	5.9	5.6	5.9	6.0	5.8	5.9
Office Vacancy Rate (%)<1>	10.7	10.4	10.1	9.9	9.7	9.5	9.4	9.3	11.7	13.9	10.3	9.5	9.1
Industrial Vacancy Rate (%)<1>	4.0	3.9	3.8	3.8	3.7	3.7	3.6	3.6	4.9	4.7	3.9	3.6	3.4
New Commercial Building Construction (% Ch Value)	32.8	16.5	0.2	-0.6	-1.2	1.0	2.5	3.8	-4.2	37.0	23.8	1.3	7.2
New Industrial Building Construction (% Ch Value)	-2.0	14.1	4.4	1.5	-1.3	3.5	7.0	13.2	-25.7	11.6	8.1	3.7	15.8
FINANCIAL MARKETS													
Money Supply													
M1 (% change)(FED Target 4-7%)	10.9	9.9	5.2	5.5	5.7	5.5	6.1	5.7	11.2	6.9	7.2	5.9	5.8
M1 Velocity (% change)	-4.8	-3.8	-0.6	-0.7	-1.4	-0.8	-0.6	1.1	-3.2	3.7	-1.0	-0.9	1.8
M2 (% change)(FED Target 6-9%)	12.6	5.3	9.2	6.4	5.3	4.6	7.3	7.1	12.5	7.9	8.8	6.2	6.7
M2 Velocity (% change)	-6.2	0.4	-4.3	-1.4	-1.0	0.1	-1.7	-0.1	-4.4	2.7	-2.5	-1.2	0.9
Monetary Base (% change)	6.8	7.0	6.8	5.6	5.2	4.2	5.1	5.5	9.5	8.1	6.5	5.4	5.2
Flow of Funds (NIA Basis)													
Sources (total:gross savings)	671	672	679	690	698	702	703	716	478	653	678	705	773
Private													
Personal Savings	119	151	125	123	127	128	132	135	118	156	129	130	149
Savings Rate	4.5	5.5	4.6	4.4	4.5	4.5	4.6	4.6	5.0	6.1	4.8	4.5	4.8
Gross Business Savings	544	552	559	563	568	573	579	586	454	519	554	576	612
Government													
Federal	-165	-217	-198	-189	-185	-185	-192	-187	-179	-176	-192	-188	-180
State and Local	54	55	54	49	47	46	45	46	44	53	53	46	53
Foreign (current account deficit)	120	130	139	143	142	141	139	137	41	102	133	140	138
Uses (total:gross investment)	647	657	663	680	677	678	679	691	472	638	662	681	745
Nonresidential Investment													
Equipment	288	296	300	301	305	309	316	324	223	275	296	314	346
Structures	163	167	168	168	169	171	176	180	130	150	167	174	195
Residential Investment	155	158	167	173	177	178	180	183	132	154	163	179	187
Inventory Investment	41	37	28	37	25	20	7	4	-13	58	36	14	17
Selected Interest Rates (Percent)													
Mortgage Commitment Rates													
30 Year,Fixed-Rate	13.7	13.2	12.7	12.4	12.2	12.0	11.8	11.8	13.8	14.5	13.0	11.9	12.2
Real Mortgage Rate (30 yr. avg. is 4.5%)	8.3	10.6	10.4	9.3	8.9	8.6	8.1	7.8	10.1	10.9	9.7	8.3	7.9
1 Year ARM (without buy-down)	11.1	10.2	10.0	10.0	9.7	9.4	9.6	9.7	11.3	12.6	10.3	9.6	10.3
Real Mortgage Rate	5.7	7.6	7.7	6.9	6.4	6.0	5.9	5.7	7.5	9.0	7.0	6.0	6.0
Corporate Bond Rate (AAA)	12.3	11.2	10.5	10.5	10.2	10.1	9.8	9.8	12.0	12.7	11.1	10.0	10.1
Government Bond Rate	11.8	10.8	10.0	10.0	9.8	9.7	9.3	9.3	11.3	12.5	10.6	9.5	9.7
Real Government Bond Rate (30 yr. avg. is 2.1%)	6.4	8.2	7.7	6.9	6.5	6.3	5.6	5.3	7.6	8.9	7.3	5.9	5.4
Federal Funds Rate	8.5	7.8	7.4	7.5	7.0	7.0	7.1	7.3	9.1	10.2	7.8	7.1	8.2
3 Month Treasury Bill Rate	8.2	7.4	7.2	7.2	6.9	6.6	6.8	6.9	8.6	9.5	7.5	6.8	7.5
Real 3 Month T-Bill Rate (30 yr. avg is 1.2%)	2.8	4.8	4.9	4.1	3.6	3.2	3.2	2.9	4.8	5.9	4.2	3.2	3.2
1 Year Treasury Bill Rate	9.4	8.5	8.3	8.3	8.0	7.7	7.9	8.0	9.6	10.9	8.6	7.9	8.6
Real 1 Year T-Bill Rate (30 yr. avg is 1.7%)	4.0	5.9	6.0	5.2	4.7	4.3	4.2	4.0	5.8	7.3	5.3	4.3	4.3
Commercial Paper Rate	8.5	7.8	7.4	7.5	7.1	7.0	7.1	7.3	8.9	10.1	7.8	7.1	8.1
Rate on Money Market Fund Shares	8.6	7.8	7.5	7.6	7.1	7.1	7.2	7.4	9.0	10.3	7.9	7.2	8.2
Prime Rate	10.5	10.2	9.4	9.2	8.8	8.9	8.9	8.9	10.8	12.0	9.8	8.9	9.8

<1> Historical data courtesy of Coldwell Banker.

Source: Model developed by the NATIONAL ASSOCIATION OF REALTORS, and Data Resources, Inc.
Assumptions and simulations by Dr. Jack Carlson, Dr. Richard Peach and Janemarie Mulvey